

## Message Text

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PAGE 01 HONG K 08481 280446Z

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TAGS: ENRG US HK

SUBJECT: MAJOR PROJECTS: POSSIBLE NUCLEAR POWER PLANT

REF: HK 12827 AND A-330 OF 12/21/73; HK A-68 OF 3/26/74;

HK A-72 OF 4/4/74.

### SUMMARY

A THREE-MAN TEAM OF BRITISH NUCLEAR EXPERTS HAS JUST COMPLETED A STUDY CONCERNING THE FEASIBILITY OF BUILDING A NUCLEAR PLANT HERE. SITE LOCATION WAS A MAJOR CONCERN. THEIR REPORT IS EXPECTED TO BE PRESENTED ON A CONFIDENTIAL BASIS TO THE HKG WITHIN THE NEXT FEW WEEKS AND THE GOVERNMENT IS EXPECTED TO REVEAL ITS CONTENTS TWO OR THREE MONTHS THEREAFTER AND ANNOUNCE WHETHER THE SITUATION IS "GO" OR "NO GO." DELAYS SEEM LIKELY, HOWEVER, BECAUSE IN ANY "GO" CONDITION THE GOVERNMENT WILL FEEL OBLIGED TO CONSULT THE PRC.

NEVERTHELESS, WE FEEL THAT CHANCES ARE FAIRLY GOOD THAT THE HKG AND THE POWER COMPANIES WILL DECIDE TO BUILD THE PLANT AND THAT THE GOVERNMENT WILL EVENTUALLY APPROACH THE CHINESE. FURTHERMORE, SENTIMENT IN HONG KONG SEEMS TO BE GROWING STRONGER THAT THE VERY BEST ARRANGEMENT WOULD BE TO LOCATE A PLANT IN A SPARSELY POPULATED REGION ON THE MAINLAND BETWEEN HONG KONG AND CANTON. FEELING IS ALSO GROWING THAT IF HONG KONG IS "GOING NUCLEAR" A CONTRACT WILL HAVE TO BE LET WITHIN ONE YEAR BECAUSE PLANNED AND APPROVED POWER GENERATION

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PAGE 02 HONG K 08481 280446Z

EXPANSION WOULD NOT FILL HONG KONG'S NEEDS PAST 1983, AND IT

WILL TAKE 8 YEARS TO COMPLETE A NUCLEAR FACILITY. END SUMMARY.

1. THE BRITISH NUCLEAR EXPERTS STIMULATED NEW SPECULATION BY THE POWER COMPANIES AND THE GOVERNMENT ON SEVERAL ASPECTS OF THE HONG KONG POWER GENERATION PROBLEM AS FOLLOWS:

A. IF A PLANT IS TO BE BUILT WITHIN THE COLONY, THE "EXPERTS" MAY URGE THAT FOR SAFETY REASONS THE "HEATED-GAS" TYPE REACTOR BE SELECTED. SIR SYDNEY GORDON, DEPUTY CHAIRMAN OF THE CHINA LIGHT & POWER CO. LTD., POINTED OUT THAT BRITAIN HAS SUCH A REACTOR WHICH IS BEING REPLACED AND THAT IT MIGHT BE FURNISHED AT LOW COST TO HONG KONG. HE ALSO EXPRESSED SOME INTEREST IN THE GAS TYPE REACTOR BUILT BY GULF ATOMIC.

B. A MAJOR FACTOR ON THE FINAL DECISION AS TO WHO BUILDS OR SUPPLIES THE REACTOR WILL BE THE FINANCING OF THE INSURANCE THAT WOULD BE REQUIRED. PRESUMABLY THE PREMIUM ON A POLICY COVERING A PLANT WITHIN THE CROWDED CONFINES OF THE COLONY WOULD BE VERY HIGH. THE HKG MAY NOT BE WILLING TO GO IT ALONE IN THAT REGARD AND MAY REQUIRE FINANCING FROM THE "SELLING" NATION.

C. A GUARANTEE FOR A SUPPLY OF NUCLEAR FUEL WOULD ALSO BE VERY IMPORTANT TO ANY DECISION.

D. FINANCING FOR THE PLANT ITSELF AND THE NUCLEAR FUEL WOULD ALSO INFLUENCE FROM WHOM THE PLANT MIGHT BE PURCHASED.

E. MANY PROBLEMS ARE BEING AIRED CONCERNING THE POSSIBILITY OF BUILDING A DUAL-PURPOSE NUCLEAR DESALTING PLANT. ANY LOCATION FEASIBLE FOR A NUCLEAR REACTOR WOULD NOT BE FEASIBLE FOR A DESALINATION PLANT. FURTHERMORE, THE MIXTURE OF PROFIT MOTIVE ENTERPRISES WITH NON-PROFIT MOTIVE ENTERPRISES WOULD BE DIFFICULT AND WHICH SERVICE WOULD TAKE PRIORITY OVER THE OTHER WOULD HAVE TO BE SORTED OUT. MOST OF OUR CONTACTS INDICATE THAT THESE PROBLEMS WOULD BE TOO DIFFICULT TO SOLVE.

F. SHOULD A REACTOR BE BUILT IN THE PRC TO SERVE THE CANTON/HONG KONG AREA, THE SAFETY AND ENVIRONMENTAL PROBLEMS WOULD BE SOLVED, THE INSURANCE PREMIUM PROBLEM AND THE LIMITED OFFICIAL USE

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PAGE 03 HONG K 08481 280446Z

FINANCING WOULD BE EASIER, AND ECONOMICS OF SCALE COULD BE REALIZED. ALSO SOME SEE POLITICAL ADVANTAGES IN THE FURTHER WEDDING OF HONG KONG AND PRC INTERESTS.

G. ALTHOUGH THE RATE OF INCREASE IN HONG KONG ENERGY CONSUMPTION HAS FALLEN TEMPORARILY, POWER NEEDS BY 1983 ARE PROJECTED TO BE SO GREAT THAT CONSIDERABLY MORE POWER THAN WILL BE AVAILABLE ACCORDING TO PRESENT PLANS WILL BE NEEDED.

IF A CONTRACT FOR A NUCLEAR FACILITY IS NOT LET WITHIN THE NEXT  
12 MONTHS, THE PLANT COULD NOT BE COMPLETED IN TIME TO SATISFY NEEDS.  
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